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12 UNITED STATES DISTRICT COURT
13
14 NORTHERN DISTRICT OF CALIFORNIA

15 ROBERT CASEY, on Behalf of Himself and All
Others Similarly Situated,

16
17 Plaintiff,

18 v.

19 FACEBOOK, INC., MARK E. ZUCKERBERG,
20 and DAVID M. WEHNER,

21 Defendants.

Civ. No. _____

CLASS ACTION COMPLAINT

JURY TRIAL DEMANDED

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28 Class Action Complaint

1 Plaintiff Robert Casey, by and through the undersigned attorneys, alleges the following
2 upon information and belief, except as to allegations concerning Plaintiff, which are alleged
3 upon personal knowledge. Plaintiff's information and belief is based upon, among other things,
4 counsel's investigation, which includes, without limitation: (1) a review and analysis of
5 regulatory filings by Facebook, Inc. ("Facebook" or the "Company") with the U.S. Securities
6 and Exchange Commission ("SEC"); (2) a review and analysis of press releases and media
7 reports issued by and about the Company; and (3) a review of other publicly available
8 information concerning Facebook. Plaintiff believes that substantial evidentiary support will
9 exist for the allegations set forth herein after a reasonable opportunity for discovery.

10 SUMMARY OF THE ACTION AND OVERVIEW

11 1. This is a securities class action on behalf of all purchasers of Facebook common
12 stock between February 3, 2017 and March 19, 2018, inclusive (the "Class Period"), asserting
13 claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange
14 Act") and Rule 10b-5 promulgated thereunder.

15 2. Facebook operates a social networking website that allows people to
16 communicate with their family, friends, and coworkers. Facebook develops technologies that
17 facilitate the sharing of information, photographs, website links, and videos. Facebook users
18 have the ability to share and restrict information based on their own specific criteria. By the end
19 of 2017, Facebook had more than 2.1 billion monthly active users. Founded in 2004, the
20 Company is headquartered in Menlo Park, California. The Company's common stock trades on
21 the NASDAQ Global Select Market ("NASDAQ") under the ticker symbol "FB."

22 3. Throughout the Class Period, Defendants issued materially false and/or
23 misleading statements regarding the Company's business operations and the strength of its
24 financial prospects while concealing significant weaknesses concerning its core business.
25 Specifically, Defendants made false and/or misleading statements and/or failed to disclose that:
26 (i) Facebook violated its own purported data privacy policies by allowing third parties to access
27 the personal data of millions of Facebook users without the users' consent; (ii) discovery of the

1 foregoing conduct would foreseeably subject the Company to heightened regulatory scrutiny;
2 and (iii) as a result, Facebook's public statements were materially false and misleading at all
3 relevant times.

4 4. On May 16, 2017, *Reuters* reported that France's National Commission on
5 Informatics and Liberty ("CNIL") had fined Facebook €150,000 – the maximum amount then
6 allowed within the CNIL's authority – for "failing to prevent its users' data being accessed by
7 advertisers." The article stated that the fine was said to be "part of a wider European
8 investigation also being carried out in Belgium, the Netherlands, Spain and Germany into some
9 of Facebook's practices."

10 5. On this news, Facebook's share price fell \$5.34, or 3.55%, over two trading days,
11 to close at \$144.85 on May 17, 2017.

12 6. On March 17, 2018, *The New York Times* published an investigative report
13 entitled "How Trump Consultants Exploited the Facebook Data of Millions," revealing that
14 Cambridge Analytica, a firm brought on by the Trump campaign to target voters online, used the
15 data of 50 million people obtained from Facebook without proper disclosures or permission. The
16 report further stated, in part:

17 *[T]he firm harvested private information from the Facebook profiles of more*
18 *than 50 million users without their permission*, according to former Cambridge
19 employees, associates and documents, making it one of the largest data leaks in
20 the social network's history. The breach allowed the company to exploit the
private social media activity of a huge swath of the American electorate,
developing techniques that underpinned its work on President Trump's campaign
in 2016.

21 ***

22
23 *But the full scale of the data leak involving Americans has not been previously*
24 *disclosed — and Facebook, until now, has not acknowledged it.* Interviews with
25 a half-dozen former employees and contractors, and a review of the firm's emails
and documents, have revealed that Cambridge not only relied on the private
Facebook data but still possesses most or all of the trove.

26 [Emphasis added.]

1 7. On this news, Facebook's share price fell \$12.53, or 6.76%, to close at \$172.56 on
2 March 19, 2018.

3 8. On March 19, 2018, after hours, *Bloomberg* published an article entitled "FTC
4 Probing Facebook For Use of Personal Data, Source Says," disclosing that the U.S. Federal
5 Trade Commission ("FTC") is "probing whether Facebook violated terms of a 2011 consent
6 decree of its handling of user data that was transferred to Cambridge Analytica without [user]
7 knowledge." Under the 2011 settlement with the FTC, Facebook "agreed to get user consent for
8 certain changes to privacy settings as part of a settlement of federal chargers that is deceived
9 consumers and forced them to share more personal information than they intended." The article
10 further stated that "if the FTC finds Facebook violated terms of the consent decree, it has the
11 power to fine the company more than \$40,000 a day per violation."

12 9. On March 20, 2018, several media outlets reported that the U.K. Parliament had
13 summoned Facebook Chief Executive Officer ("CEO") Mark Zuckerberg ("Zuckerberg") to give
14 evidence over the scandal involving London-based Cambridge Analytica. In a statement, the
15 U.K. House of Commons Digital, Culture, Media and Sport Committee said: "The
16 Representatives from Facebook previously gave evidence to the inquiry in Washington DC on
17 Thursday 8th February. However, Facebook has since failed to supply requested supplementary
18 evidence to the Committee by the deadline of 14th March. Subsequent information about
19 Facebook's connection to Cambridge Analytica raises further questions which the Committee
20 intends to put to Facebook to answer in full." The British lawmakers stated they want to "hear
21 from a senior Facebook executive with the sufficient authority to give an accurate account of this
22 catastrophic failure of process." Zuckerberg was asked to respond by March 26, 2018.

23 10. Following these news reports, Facebook's share price fell \$4.41, or 2.56%, to
24 close at \$168.15 on March 20, 2018.

25 11. As a result of Defendants' wrongful acts and omissions, and the precipitous
26 decline in the market value of the Company's common shares, Plaintiff and other Class members
27 have suffered significant losses and damages.

JURISDICTION AND VENUE

12. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. §240.10b-5). This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §1331 and Section 27 of the Exchange Act (15 U.S.C. §78aa).

13. Venue is proper in this District pursuant to 28 U.S.C. §1391(b) and Section 27(c) of the Exchange Act (15 U.S.C. §78aa(c)). Facebook's headquarters is located at 1 Hacker Way, 1601 Willow Road, Menlo Park, California 94025, which is in this District. Many of the acts charged herein, including the preparation and dissemination of materially false and misleading information, occurred in substantial part in this District.

14. In connection with the acts alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications, and the facilities of the national securities markets.

PARTIES

15. Plaintiff Robert Casey, as set forth in the accompanying certification, incorporated by reference herein, purchased Facebook common stock during the Class Period and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein.

16. Defendant Facebook is headquartered in Menlo Park, California and incorporated in Delaware. Its common stock is traded on the NASDAQ exchange under the ticker symbol "FB."

17. Defendant Zuckerberg, at all relevant times during the Class Period, was the Company's Chief Executive Officer ("CEO") and Chairman of the Board of Directors.

18. Defendant David M. Wehner ("Wehner") is, and at all relevant times during the Class Period was, the Company's Chief Financial Officer ("CFO").

19. Defendants Facebook, Zuckerberg, and Wehner are collectively referred to as the “Defendants.”

20. Defendants Zuckerberg and Wehner are collectively referred to as the “Individual Defendants.”

SUBSTANTIVE ALLEGATIONS

Background

21. Facebook operates a social networking website that allows people to communicate with their family, friends, and coworkers. Facebook develops technologies that facilitate the sharing of information, photographs, website links, and videos. Facebook users have the ability to share and restrict information based on their own specific criteria. By the end of 2017, Facebook had more than 2.1 billion monthly active users.

Defendants’ Materially False and Misleading Statements

22. On February 3, 2017, Facebook filed an annual report on Form 10-K with the SEC, announcing the Company’s financial and operating results for the quarter and fiscal year ended December 31, 2016 (the “2016 10-K”). For fiscal year 2016, Facebook reported net income of \$10.18 billion, or \$3.49 per diluted share, on revenue of \$27.63 billion, compared to net income of \$3.66 billion, or \$1.29 per diluted share, on revenue of \$17.92 billion for fiscal year 2015.

23. In the 2016 10-K, with respect to the disclosure of user data, the Company merely offered the following non-specific representation:

Security breaches and improper access to or disclosure of our data or user data, or other hacking and phishing attacks on our systems, could harm our reputation and adversely affect our business.

Our industry is prone to cyber-attacks by third parties seeking unauthorized access to our data or users’ data. Any failure to prevent or mitigate security breaches and improper access to or disclosure of our data or user data could result in the loss or misuse of such data, which could harm our business and reputation and diminish our competitive position. In addition, computer malware, viruses, social engineering (predominantly spear phishing attacks), and general hacking have become more prevalent in our industry, have occurred on our systems in the past, and will occur on our systems in the future. As a result of our prominence, we believe that we are a particularly attractive target for such breaches and

1 attacks. Such attacks may cause interruptions to the services we provide, degrade
2 the user experience, cause users to lose confidence and trust in our products, or
3 result in financial harm to us. Our efforts to protect our company data or the
4 information we receive may also be unsuccessful due to software bugs or other
5 technical malfunctions; employee, contractor, or vendor error or malfeasance;
6 government surveillance; or other threats that evolve. In addition, third parties
7 may attempt to fraudulently induce employees or users to disclose information in
8 order to gain access to our data or our users' data. Although we have developed
9 systems and processes that are designed to protect our data and user data, to
10 prevent data loss, and to prevent or detect security breaches, we cannot assure you
11 that such measures will provide absolute security.

12 In addition, some of our developers or other partners, such as those that help us
13 measure the effectiveness of ads, may receive or store information provided by us
14 or by our users through mobile or web applications integrated with Facebook. We
15 provide limited information to such third parties based on the scope of services
16 provided to us. However, if these third parties or developers fail to adopt or
17 adhere to adequate data security practices, or in the event of a breach of their
18 networks, our data or our users' data may be improperly accessed, used, or
19 disclosed.

20 Affected users or government authorities could initiate legal or regulatory actions
21 against us in connection with any security breaches or improper disclosure of
22 data, which could cause us to incur significant expense and liability or result in
23 orders or consent decrees forcing us to modify our business practices. Any of
24 these events could have a material and adverse effect on our business, reputation,
25 or financial results.

26 [Emphasis added.]

27 24. The 2016 10-K contained signed certifications pursuant to the Sarbanes-Oxley
28 Act of 2002 ("SOX") by the Individual Defendants, stating that the information contained in the
2016 10-K "fairly presents, in all material respects, the financial condition and results of
operations of the Company for the periods presented therein."

25 25. On May 4, 2017, Facebook filed a quarterly report on Form 10-Q with the SEC,
26 announcing the Company's financial and operating results for the quarter ended March 31, 2017
27 (the "1Q 2017 10-Q"). For the quarter, Facebook reported net income of \$3.05 billion, or \$1.04
28 per diluted share, on revenue of \$8.03 billion, compared to net income of \$1.73 billion, or \$0.60
per diluted share, on revenue of \$5.38 billion for the same period in the prior year.

26. In the 1Q 2017 10-Q, the Company again offered only a non-specific representation concerning data security:

Security breaches and improper access to or disclosure of our data or user data, or other hacking and phishing attacks on our systems, could harm our reputation and adversely affect our business.

Our industry is prone to cyber-attacks by third parties seeking unauthorized access to our data or users' data or to disrupt our ability to provide service. Any failure to prevent or mitigate security breaches and improper access to or disclosure of our data or user data could result in the loss or misuse of such data, which could harm our business and reputation and diminish our competitive position. In addition, computer malware, viruses, social engineering (predominantly spear phishing attacks), and general hacking have become more prevalent in our industry, have occurred on our systems in the past, and will occur on our systems in the future. As a result of our prominence, we believe that we are a particularly attractive target for such breaches and attacks. Such attacks may cause interruptions to the services we provide, degrade the user experience, cause users to lose confidence and trust in our products, or result in financial harm to us. Our efforts to protect our company data or the information we receive may also be unsuccessful due to software bugs or other technical malfunctions; employee, contractor, or vendor error or malfeasance; government surveillance; or other threats that evolve. In addition, third parties may attempt to fraudulently induce employees or users to disclose information in order to gain access to our data or our users' data. Although we have developed systems and processes that are designed to protect our data and user data, to prevent data loss, and to prevent or detect security breaches, we cannot assure you that such measures will provide absolute security.

In addition, some of our developers or other partners, such as those that help us measure the effectiveness of ads, may receive or store information provided by us or by our users through mobile or web applications integrated with Facebook. We provide limited information to such third parties based on the scope of services provided to us. However, if these third parties or developers fail to adopt or adhere to adequate data security practices, or in the event of a breach of their networks, our data or our users' data may be improperly accessed, used, or disclosed.

Affected users or government authorities could initiate legal or regulatory actions against us in connection with any security breaches or improper disclosure of data, which could cause us to incur significant expense and liability or result in orders or consent decrees forcing us to modify our business practices. Any of these events could have a material and adverse effect on our business, reputation, or financial results.

[Emphasis added.]

27. The 1Q 2017 10-Q contained signed certifications pursuant to SOX by the Individual Defendants, stating that the information contained in the 1Q 2017 10-Q “fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.”

28. The statements referenced in ¶¶23-27 above were materially false and/or misleading because they misrepresented and/or failed to disclose the following adverse facts pertaining to the Company’s business, operational and financial results, which were known to Defendants or recklessly disregarded by them. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (i) Facebook violated its own purported data privacy policies by allowing third parties to access the personal data of millions of Facebook users without the users’ consent; (ii) discovery of the foregoing conduct would foreseeably subject the Company to heightened regulatory scrutiny; and (iii) as a result, Facebook’s public statements were materially false and misleading at all relevant times.

29. On May 16, 2017, after hours, *Reuters* published an article entitled “Facebook fined 150,000 euros by French data watchdog,” reporting that the French privacy regulator CNIL had fined Facebook €150,000 – the maximum amount then allowed within the CNIL’s authority – for “failing to prevent its users’ data being accessed by advertisers.” The article stated, in part:

Watchdog CNIL said its fine - which was imposed on both Facebook Inc and Facebook Ireland - was part of a wider European investigation also being carried out in Belgium, the Netherlands, Spain and Germany into some of Facebook’s practices.

The 150,000 euro fine is small in the context of the company, which has quarterly revenue of about \$8 billion and a stock market capitalization which stands at around \$435 billion. But it is the maximum amount the CNIL could fine when it started the investigation on the tech giant.

The CNIL can now issue fines of up to 3 million euros, after the passing of a new law in October 2016.

* * *

In a statement on Tuesday, Facebook did not say whether it would now take action as a result of the fine.

1 “We take note of the CNIL’s decision with which we respectfully disagree,” Facebook
2 said in a statement emailed to Reuters.

3 30. On this news, Facebook’s share price fell \$5.34 or 3.55%, over two trading days,
4 to close at \$144.85 on May 17, 2017.

5 31. Even after the CNIL fine, Facebook continued to conceal the extent to which its
6 users’ data was available to third parties without user consent. On July 27, 2017, Facebook filed
7 a quarterly report on Form 10-Q with the SEC, announcing the Company’s financial and
8 operating results for the quarter ended June 30, 2017 (the “2Q 2017 10-Q”). For the quarter,
9 Facebook reported net income of \$3.89 billion, or \$1.32 per diluted share, on revenue of
10 \$9.32 billion, compared to net income of \$2.27 billion, or \$0.78 per diluted share, on revenue of
11 \$6.43 billion for the same period in the prior year.

12 32. In the 2Q 2017 10-Q, the Company again offered only a non-specific
13 representation concerning data security:

14 ***Security breaches and improper access to or disclosure of our data or user data,***
15 ***or other hacking and phishing attacks on our systems, could harm our***
16 ***reputation and adversely affect our business.***

17 Our industry is prone to cyber-attacks by third parties seeking unauthorized
18 access to our data or users’ data or to disrupt our ability to provide service. Any
19 failure to prevent or mitigate security breaches and improper access to or
20 disclosure of our data or user data could result in the loss or misuse of such data,
21 which could harm our business and reputation and diminish our competitive
22 position. In addition, computer malware, viruses, social engineering
23 (predominantly spear phishing attacks), and general hacking have become more
24 prevalent in our industry, have occurred on our systems in the past, and will occur
25 on our systems in the future. As a result of our prominence, we believe that we
26 are a particularly attractive target for such breaches and attacks. Such attacks may
27 cause interruptions to the services we provide, degrade the user experience, cause
28 users to lose confidence and trust in our products, or result in financial harm to us.
Our efforts to protect our company data or the information we receive may also be
unsuccessful due to software bugs or other technical malfunctions; employee,
contractor, or vendor error or malfeasance; government surveillance; or other
threats that evolve. In addition, third parties may attempt to fraudulently induce
employees or users to disclose information in order to gain access to our data or
our users’ data. Although we have developed systems and processes that are
designed to protect our data and user data, to prevent data loss, and to prevent or

1 detect security breaches, we cannot assure you that such measures will provide
2 absolute security.

3 In addition, some of our developers or other partners, such as those that help us
4 measure the effectiveness of ads, may receive or store information provided by us
5 or by our users through mobile or web applications integrated with Facebook. We
6 provide limited information to such third parties based on the scope of services
7 provided to us. However, if these third parties or developers fail to adopt or
8 adhere to adequate data security practices, or in the event of a breach of their
9 networks, our data or our users' data may be improperly accessed, used, or
10 disclosed.

11 Affected users or government authorities could initiate legal or regulatory actions
12 against us in connection with any security breaches or improper disclosure of
13 data, which could cause us to incur significant expense and liability or result in
14 orders or consent decrees forcing us to modify our business practices. Any of
15 these events could have a material and adverse effect on our business, reputation,
16 or financial results.

17 [Emphasis added.]

18 33. The 2Q 2017 10-Q contained signed certifications pursuant to SOX by the
19 Individual Defendants, stating that the information contained in the 2Q 2017 10-Q "fairly
20 presents, in all material respects, the financial condition and results of operations of the
21 Company for the periods presented therein."

22 34. On November 2, 2017, Facebook filed a quarterly report on Form 10-Q with the
23 SEC, announcing the Company's financial and operating results for the quarter ended
24 September 30, 2017 (the "3Q 2017 10-Q"). For the quarter, Facebook reported net income of
25 \$4.70 billion, or \$1.59 per diluted share, on revenue of \$10.32 billion, compared to net income of
26 \$2.62 billion, or \$0.90 per diluted share, on revenue of \$7.01 billion for the same period in the
27 prior year.

28 35. In the 3Q 2017 10-Q, the Company again offered only a non-specific
representation with respect to data security:

***Security breaches and improper access to or disclosure of our data or user data,
or other hacking and phishing attacks on our systems, could harm our
reputation and adversely affect our business.***

Our industry is prone to cyber-attacks by third parties seeking unauthorized
access to our data or users' data or to disrupt our ability to provide service. Any

1 failure to prevent or mitigate security breaches and improper access to or
2 disclosure of our data or user data could result in the loss or misuse of such data,
3 which could harm our business and reputation and diminish our competitive
4 position. In addition, computer malware, viruses, social engineering
5 (predominantly spear phishing attacks), and general hacking have become more
6 prevalent in our industry, have occurred on our systems in the past, and will occur
7 on our systems in the future. As a result of our prominence and the types and
8 volume of personal data on our systems, we believe that we are a particularly
9 attractive target for such breaches and attacks. Such attacks may cause
10 interruptions to the services we provide, degrade the user experience, cause users
11 to lose confidence and trust in our products, impair our internal systems, or result
12 in financial harm to us. Our efforts to protect our company data or the information
13 we receive may also be unsuccessful due to software bugs or other technical
14 malfunctions; employee, contractor, or vendor error or malfeasance; government
surveillance; or other threats that evolve. In addition, third parties may attempt to
fraudulently induce employees or users to disclose information in order to gain
access to our data or our users' data. Cyber-attacks continue to evolve in
sophistication and volume, and inherently may be difficult to detect for long
periods of time. Although we have developed systems and processes that are
designed to protect our data and user data, to prevent data loss, and to prevent or
detect security breaches, we cannot assure you that such measures will provide
absolute security, and we may incur significant costs in protecting against or
remediating cyber-attacks.

15 In addition, some of our developers or other partners, such as those that help us
16 measure the effectiveness of ads, may receive or store information provided by us
17 or by our users through mobile or web applications integrated with Facebook. We
18 provide limited information to such third parties based on the scope of services
19 provided to us. However, if these third parties or developers fail to adopt or
adhere to adequate data security practices, or in the event of a breach of their
networks, our data or our users' data may be improperly accessed, used, or
disclosed.

20 Affected users or government authorities could initiate legal or regulatory actions
21 against us in connection with any security breaches or improper disclosure of
22 data, which could cause us to incur significant expense and liability or result in
23 orders or consent decrees forcing us to modify our business practices. Such
24 incidents may also result in a decline in our active user base or engagement levels.
Any of these events could have a material and adverse effect on our business,
reputation, or financial results.

25 [Emphasis added.]

26 36. The 3Q 2017 10-Q contained signed certifications pursuant to SOX by the
27 Individual Defendants, stating that the information contained in the 3Q 2017 10-Q "fairly

1 presents, in all material respects, the financial condition and results of operations of the
2 Company for the periods presented therein.”

3 37. On January 31, 2018, the Company held an earnings conference call with
4 investors and analysts to discuss the Q4 2017. During the call, Defendant Zuckerberg stated in
5 relevant part:

6 But 2017 was also a hard year. The world feels anxious and divided – and that
7 played out on Facebook. We’ve seen abuse on our platform, including
8 interference from nation states, the spread of news that is false, sensational and
9 polarizing, and debate about the utility of social media. We have a responsibility
to fully understand how our services are used and to do everything we can to
amplify the good and prevent the harm. This is my personal challenge for 2018.

10 ***

11 Preventing false news hate speech and other abuse[] is another important area of
12 focus for us. In order to protect the security and integrity of our platform, we’re
13 investing in both people and technology. We now have around 14,000 people
14 working across community ops, online ops, and our security efforts. That’s
almost double where we were a year-ago.

15 ***

16 Finally, we’ve started rolling out a major ad transparency effort. We support
17 Congress passing legislation to make all advertising more transparent, but we’re
18 not going to wait for them to act. We’ve already begun launching a way for
anyone to view the ads a page is running on Facebook, Instagram and Messenger
– even if they aren’t the intended audience.

19 38. On February 1, 2018, Facebook filed an annual report on Form 10-K with the
20 SEC, announcing the Company’s financial and operating results for the quarter and fiscal year
21 ended December 31, 2017 (the “2017 10-K”). For fiscal year 2017, Facebook reported net
22 income of \$15.93 billion, or \$5.39 per diluted share, on revenue of \$40.65 billion, compared to
23 reported net income of \$10.18 billion, or \$3.49 per diluted share, on revenue of \$27.63 billion for
24 fiscal year 2016.

25 39. In the 2017 10-K, with respect to the disclosure of user data, the Company again
26 only offered the following non-specific representation:
27

1 *Security breaches and improper access to or disclosure of our data or user data,*
2 *or other hacking and phishing attacks on our systems, could harm our*
3 *reputation and adversely affect our business.*

4 Our industry is prone to cyber-attacks by third parties seeking unauthorized
5 access to our data or users' data or to disrupt our ability to provide service. Any
6 failure to prevent or mitigate security breaches and improper access to or
7 disclosure of our data or user data, including personal information, content or
8 payment information from users, could result in the loss or misuse of such data,
9 which could harm our business and reputation and diminish our competitive
10 position. In addition, computer malware, viruses, social engineering
11 (predominantly spear phishing attacks), and general hacking have become more
12 prevalent in our industry, have occurred on our systems in the past, and will occur
13 on our systems in the future. We also regularly encounter attempts to create false
14 or undesirable user accounts, purchase ads, or take other actions on our platform
15 for purposes such as spamming, spreading misinformation, or other objectionable
16 ends. As a result of our prominence, the size of our user base, and the types and
17 volume of personal data on our systems, we believe that we are a particularly
18 attractive target for such breaches and attacks. Such attacks may cause
19 interruptions to the services we provide, degrade the user experience, cause users
20 to lose confidence and trust in our products, impair our internal systems, or result
21 in financial harm to us. Our efforts to protect our company data or the
22 information we receive may also be unsuccessful due to software bugs or other
23 technical malfunctions; employee, contractor, or vendor error or malfeasance;
24 government surveillance; or other threats that evolve. In addition, third parties
25 may attempt to fraudulently induce employees or users to disclose information in
26 order to gain access to our data or our users' data. Cyber-attacks continue to
27 evolve in sophistication and volume, and inherently may be difficult to detect for
28 long periods of time. Although we have developed systems and processes that are
designed to protect our data and user data, to prevent data loss, to disable
undesirable accounts and activities on our platform, and to prevent or detect
security breaches, we cannot assure you that such measures will provide absolute
security, and we may incur significant costs in protecting against or remediating
cyber-attacks.

21 In addition, some of our developers or other partners, such as those that help us
22 measure the effectiveness of ads, may receive or store information provided by us
23 or by our users through mobile or web applications integrated with Facebook. We
24 provide limited information to such third parties based on the scope of services
25 provided to us. However, if these third parties or developers fail to adopt or
26 adhere to adequate data security practices, or in the event of a breach of their
27 networks, our data or our users' data may be improperly accessed, used, or
28 disclosed.

26 Affected users or government authorities could initiate legal or regulatory actions
27 against us in connection with any security breaches or improper disclosure of
28 data, which could cause us to incur significant expense and liability or result in

orders or consent decrees forcing us to modify our business practices. Such incidents may also result in a decline in our active user base or engagement levels. Any of these events could have a material and adverse effect on our business, reputation, or financial results.

[Emphasis added.]

40. The 2017 10-K contained signed certifications pursuant to SOX by the Individual Defendants, stating that the information contained in the 2017 10-K “fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.”

41. At all relevant times, Facebook has maintained a Data Use Policy on its website. At all relevant times, the Data Use Policy advised Facebook users, in part:

Granting us permission to use your information not only allows us to provide Facebook as it exists today, but it also allows us to provide you with innovative features and services we develop in the future that use the information we receive about you in new ways.

While you are allowing us to use the information we receive about you, you always own all of your information. Your trust is important to us, which is why we don’t share information we receive about you with others unless we have:

- received your permission;
- given you notice, such as by telling you about it in this policy; or
- removed your name and any other personally identifying information from it.

(https://www.facebook.com/full_data_use_policy) (last accessed Mar. 22, 2018).

42. The statements referenced in ¶¶32-41 above were materially false and/or misleading because they misrepresented and/or failed to disclose the following adverse facts pertaining to the Company’s business, operational and financial results, which were known to Defendants or recklessly disregarded by them. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (i) Facebook continued to violate its own purported data privacy policies by permitting third parties to access the personal data of millions of Facebook users without the users’ consent; (ii) discovery of the foregoing conduct would

foreseeably subject the Company to heightened regulatory scrutiny; and (iii) as a result, Facebook's public statements were materially false and misleading at all relevant times.

The Fog Begins to Lift and the Truth Is Revealed

43. On March 17, 2018, *The New York Times* published an investigative report entitled "How Trump Consultants Exploited the Facebook Data of Millions," revealing that Cambridge Analytica, the firm that worked to target voters online in connection with Donald Trump's 2016 presidential campaign, used the data of 50 million people obtained from Facebook without making proper disclosures or obtaining permission. The report further stated in relevant part:

[T]he firm harvested private information from the Facebook profiles of more than 50 million users without their permission, according to former Cambridge employees, associates and documents, making it one of the largest data leaks in the social network's history. The breach allowed the company to exploit the private social media activity of a huge swath of the American electorate, developing techniques that underpinned its work on President Trump's campaign in 2016.

An examination by The New York Times and The Observer of London reveals how Cambridge Analytica's drive to bring to market a potentially powerful new weapon put the firm — and wealthy conservative investors seeking to reshape politics — under scrutiny from investigators and lawmakers on both sides of the Atlantic.

But the full scale of the data leak involving Americans has not been previously disclosed — and Facebook, until now, has not acknowledged it. Interviews with a half-dozen former employees and contractors, and a review of the firm's emails and documents, have revealed that Cambridge not only relied on the private Facebook data but still possesses most or all of the trove.

Cambridge paid to acquire the personal information through an outside researcher who, Facebook says, claimed to be collecting it for academic purposes.

During a week of inquiries from The Times, Facebook downplayed the scope of the leak and questioned whether any of the data still remained out of its control. But on Friday, the company posted a statement expressing alarm and promising to take action.

1 In Britain, Cambridge Analytica is facing intertwined investigations by
 2 Parliament and government regulators into allegations that it performed illegal
 3 work on the “Brexit” campaign. The country has strict privacy laws, and its
 4 information commissioner announced on Saturday that she was looking into
 5 whether the Facebook data was “illegally acquired and used.”

6 ***

7 The documents also raise new questions about Facebook, which is already
 8 grappling with intense criticism over the spread of Russian propaganda and fake
 9 news. The data Cambridge collected from profiles, a portion of which was
 10 viewed by The Times, included details on users’ identities, friend networks and
 11 “likes.” Only a tiny fraction of the users had agreed to release their information to
 12 a third party.

13 “Protecting people’s information is at the heart of everything we do,” Mr. [Paul]
 14 Grewal [Deputy General Counsel at Facebook] said. “No systems were
 15 infiltrated, and no passwords or sensitive pieces of information were stolen or
 16 hacked.”

17 Still, he added, *“it’s a serious abuse of our rules.”*

18 ***

19 Mr. Grewal, the Facebook deputy general counsel, said in a statement that both
 20 Dr. Kogan and “SCL Group and Cambridge Analytica certified to us that they
 21 destroyed the data in question.”

22 But *copies of the data still remain beyond Facebook’s control*. The Times
 23 viewed a set of raw data from the profiles Cambridge Analytica obtained.

24 [Emphasis added.]

25 44. On this news, Facebook’s share price fell \$12.53, or 6.76%, to close at \$172.56 on
 26 March 19, 2018.

27 45. On March 19, 2018, after hours, *Bloomberg* published an article entitled “FTC
 28 Probing Facebook For Use of Personal Data, Source Says,” disclosing that the U.S. Federal
 Trade Commission is “probing whether Facebook violated terms of a 2011 consent decree of its
 handling of user data that was transferred to Cambridge Analytica without [user] knowledge.”
 Under the 2011 settlement with the FTC, Facebook “agreed to get user consent for certain
 changes to privacy settings as part of a settlement of federal chargers that is deceived consumers

1 and forced them to share more personal information than they intended.” The article further
2 stated that “if the FTC finds Facebook violated terms of the consent decree, it has the power to
3 fine the company more than \$40,000 a day per violation.”

4 46. On March 20, 2018, several media outlets reported that the U.K. Parliament had
5 summoned Facebook CEO Mark Zuckerberg to give evidence over the scandal involving
6 London-based Cambridge Analytica. In a statement, the U.K. House of Commons Digital,
7 Culture, Media and Sport Committee said: “The Representatives from Facebook previously gave
8 evidence to the inquiry in Washington DC on Thursday 8th February. However, Facebook has
9 since failed to supply requested supplementary evidence to the Committee by the deadline of
10 14th March. Subsequent information about Facebook’s connection to Cambridge Analytica
11 raises further questions which the Committee intends to put to Facebook to answer in full.” The
12 British lawmakers stated they want to “hear from a senior Facebook executive with the sufficient
13 authority to give an accurate account of this catastrophic failure of process.” Zuckerberg was
14 asked to respond by March 26, 2018.

15 47. Following these news reports, Facebook’s share price fell \$4.41, or 2.56%, to
16 close at \$168.15 on March 20, 2018.

17 48. As a result of Defendants’ wrongful acts and omissions, and the precipitous
18 decline in the market value of the Company’s common shares, Plaintiff and other Class members
19 have suffered significant losses and damages.

20 **CLASS ACTION ALLEGATIONS**

21 49. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil
22 Procedure 23(a) and (b)(3) on behalf of a class consisting of all those who purchased or
23 otherwise acquired Facebook common stock during the Class Period (the “Class”) and were
24 damaged thereby. Excluded from the Class are Defendants, the directors and officers of the
25 Company, at all relevant times, members of their immediate families and their legal
26 representatives, heirs, successors, or assigns, and any entity in which Defendants have or had a
27 controlling interest.

1 50. The members of the Class are so numerous that joinder of all members is
2 impracticable. Throughout the Class Period, Facebook securities were actively traded on the
3 NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and
4 can be ascertained only through appropriate discovery, Plaintiff believes that there are thousands
5 of members in the proposed Class. Record owners and other members of the Class may be
6 identified from records maintained by Facebook or its transfer agent and may be notified of the
7 pendency of this action by mail, using the form of notice similar to that customarily used in
8 securities class actions.

9 51. Plaintiff's claims are typical of the claims of the members of the Class as all
10 members of the Class are similarly affected by Defendants' wrongful conduct in violation of
11 federal law that is complained of herein.

12 52. Plaintiff will fairly and adequately protect the interests of the members of the
13 Class and has retained counsel competent and experienced in class and securities litigation.
14 Plaintiff has no interests antagonistic to or in conflict with those of the Class.

15 53. Common questions of law and fact exist as to all members of the Class and
16 predominate over any questions solely affecting individual members of the Class. Among the
17 questions of law and fact common to the Class are:

18 (a) whether the federal securities laws were violated by Defendants' acts as alleged
19 herein;

20 (b) whether statements made by Defendants to the investing public during the Class
21 Period omitted and/or misrepresented material facts about the business, operations, and
22 management of Facebook;

23 (c) whether the price of Facebook common stock was artificially inflated during the
24 Class Period; and

25 (d) to what extent the members of the Class have sustained damages and the proper
26 measure of damages.

1 material misstatements and/or omissions created an unrealistically positive assessment of
2 Facebook and its business and financial condition, thus causing the price of the Company's
3 securities to be artificially inflated at all relevant times and, when disclosed, negatively affected
4 the value of the Company stock. Defendants' materially false and/or misleading statements
5 during the Class Period resulted in Plaintiff and other members of the Class purchasing the
6 Company's securities at such artificially inflated prices, and each of them has been damaged as a
7 result.

8 59. At all relevant times, the market for Facebook securities was an efficient market
9 for the following reasons, among others:

10 (a) Facebook stock met the requirements for listing and was listed and actively traded
11 on the NASDAQ, a highly efficient and automated market;

12 (b) As a regulated issuer, Facebook filed periodic public reports with the SEC and/or
13 the NASDAQ;

14 (c) Facebook regularly communicated with public investors via established market
15 communication mechanisms, including through regular dissemination of press releases on
16 the national circuits of major newswire services and through other wide-ranging public
17 disclosures, such as communications with the financial press and other similar reporting
18 services; and/or

19 (d) Facebook was followed by securities analysts employed by brokerage firms who
20 wrote reports about the Company, and these reports were distributed to the sales force
21 and certain customers of their respective brokerage firms. Each of these reports was
22 publicly available and entered the public marketplace.

23 60. As a result of the foregoing, the market for Facebook securities promptly digested
24 current information regarding Facebook from all publicly available sources and reflected such
25 information in Facebook's stock price. Under these circumstances, all purchasers of Facebook
26 securities during the Class Period suffered similar injury through their purchase of Facebook
27 securities at artificially inflated prices, and a presumption of reliance applies.

NO SAFE HARBOR

61. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as “forward-looking statements” when made and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge, or was reckless in not knowing, that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of Facebook who knew, or was reckless in not knowing, that the statement was false when made.

COUNT I**Violation of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder
Against All Defendants**

62. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

63. During the Class Period, Defendants carried out a plan, scheme, and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other members of the Class to purchase Facebook securities at artificially inflated prices. In furtherance of this unlawful scheme, plan, and course of conduct, the Individual Defendants, and each of them, took the actions set forth herein.

1 64. The Defendants: (i) employed devices, schemes, and artifices to defraud;
2 (ii) made untrue statements of material fact and/or omitted to state material facts necessary to
3 make the statements not misleading; and (iii) engaged in acts, practices, and a course of business
4 which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort
5 to maintain artificially high market prices for Facebook securities in violation of Section 10(b) of
6 the Exchange Act and Rule 10b-5. The Individual Defendants are sued either as primary
7 participants in the wrongful and illegal conduct charged herein or as controlling persons as
8 alleged below.

9 65. The Defendants, individually and in concert, directly and indirectly, by the use,
10 means, or instrumentalities of interstate commerce and/or of the mails, engaged and participated
11 in a continuous course of conduct to conceal adverse material information about Facebook's
12 business, operations, and financial performance and prospects, as specified herein.

13 66. The Defendants employed devices, schemes, and artifices to defraud, while in
14 possession of material adverse non-public information and engaged in acts, practices, and a
15 course of conduct as alleged herein in an effort to assure investors of Facebook's value,
16 performance, and continued substantial growth. These acts included the making of, or the
17 participation in the making of, untrue statements of material facts and/or omitting to state
18 material facts necessary in order to make the statements made about Facebook and its business
19 operations and financial prospects, in light of the circumstances under which they were made,
20 not misleading. As set forth more particularly herein, Defendants further engaged in
21 transactions, practices, and a course of business which operated as a fraud and deceit upon the
22 purchasers of the Company's securities during the Class Period. Defendants had actual
23 knowledge of the misrepresentations and/or omissions of material facts set forth herein, or acted
24 with reckless disregard for the truth in that they failed to ascertain and to disclose such facts,
25 even though such facts were available to them. Defendants' material misrepresentations and/or
26 omissions were done knowingly or recklessly and for the purpose and effect of concealing
27 Facebook's financial condition from the investing public and supporting the artificially inflated

1 price of its securities. As demonstrated by Defendants' misstatements and/or omissions
2 concerning the Company's business, operations, financial well-being, and prospects throughout
3 the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations
4 and/or omissions alleged, were reckless in failing to obtain such knowledge by deliberately
5 refraining from taking those steps necessary to discover whether those statements were false or
6 misleading.

7 67. As a result of the dissemination of the materially false and/or misleading
8 information and/or failure to disclose material facts, as set forth above, the market price of
9 Facebook securities was artificially inflated during the Class Period. In ignorance of the fact that
10 market prices of the Company's securities were artificially inflated, and relying directly or
11 indirectly on the false and misleading statements made by Defendants, upon the integrity of the
12 market in which the securities trade, and/or in the absence of material adverse information that
13 was known to or recklessly disregarded by Defendants, but not disclosed in public statements by
14 Defendants during the Class Period, Plaintiff and the other members of the Class acquired
15 Facebook securities during the Class Period at artificially high prices and were damaged thereby.

16 68. At the time of said misrepresentations and/or omissions, Plaintiff and other
17 members of the Class were ignorant of their falsity and believed them to be true. Had Plaintiff
18 and the other members of the Class and the marketplace known the truth regarding Facebook and
19 its business and prospects, which were not disclosed by the Defendants, Plaintiff and other
20 members of the Class would not have purchased or otherwise acquired their Facebook securities,
21 or, if they had acquired such securities during the Class Period, they would not have done so at
22 the artificially inflated prices which they paid.

23 69. By virtue of the foregoing, Defendants have violated Section 10(b) of the
24 Exchange Act and Rule 10b-5 promulgated thereunder.

25 70. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and
26 the other members of the Class suffered damages in connection with their respective purchases
27 and sales of the Company's securities during the Class Period.

COUNT II**Violation of Section 20(a) of the Exchange Act Against the Individual Defendants**

71. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

72. The Individual Defendants acted as controlling persons of Facebook within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, ownership, and contractual rights, participation in and/or awareness of the Company's operations, and/or intimate knowledge of the false statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control, and did influence and control, directly or indirectly, the decision making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings, and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

73. In particular, the Individual Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, are presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

74. As set forth above, Facebook and the Individual Defendants violated Section 10(b) and Rule 10b-5 by their acts and/or omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of the Individual Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

A. Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure with Plaintiff serving as class representative;

B. Awarding compensatory damages in favor of Plaintiff and the other Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

C. Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

D. Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: March 22, 2018

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